Ten Years of NAFTA Have Changed the Face of U.S.-Mexican-Canadian Trade

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On Jan. 1, 1994, Canada, Mexico and the United States began implementing NAFTA (the North American Free Trade Agreement). Even before implementation began, NAFTA was the subject of considerable speculation, encompassing everything from serious reservations to confidence in open and transparent markets.

Ten years of NAFTA have changed the face of U.S.-Canadian-Mexican trade, and this anniversary presents an opportunity to assess those changes. This issue of **AgExporter** examines NAFTA from several perspectives: its impacts on overall agricultural trends and various commodity sectors; its influence on foreign investment and market integration; and benefits for producers and consumers in the three signatory countries.

NAFTA is a groundbreaking agreement in several important ways, and has served as a good test for the workability and efficacy of trade liberalization. It created a free trade area among developed and developing economies. It is one of the first agreements to include agriculture as well as other industries.

NAFTA provisions include market access through TRQs (tariff-rate quotas), elimination of nontariff barriers through conversion to TRQs, grade and quality standards procedures, sanitary and phytosanitary regulations and rules of origin. A primary objective of NAFTA has been the complete elimination of barriers to trade among the three signatories. Many tariffs were dropped immediately; others have been or are being phased out. All agricultural provisions are to be implemented by 2008.

The agreement also established procedures for handling disputes and a nondiscrimination rule granting the trade partners the same treatment provided to nationals. To improve investment flows, each member must accord investors and investments from the other two countries the same treatment provided to its own citizens in all aspects of the investment process, from acquisition to management to disposition of investments.

While implementation has not always proceeded smoothly, and disputes continue to affect trade in some commodities, there is no doubt that NAFTA has had a significant impact on agricultural trade among the NAFTA partners. It has facilitated greater exports by increasing access to the U.S., Mexican and Canadian markets and by ensuring a climate of greater openness, stability and certainty for producers, importers, exporters and investors throughout the region.

Two-way agricultural trade between the United States and Mexico increased by more than 70 percent between calendar 1994 and 2002, when it reached $12.7 billion. Two-way agricultural trade between the United States and Canada grew more than 75 percent over the same period, reaching more than $19 billion in 2002.

While NAFTA is primarily concerned with trade, it has provided numerous intangible benefits as well. It has encouraged commitment to reforms and led to major advances in government procurement and intellectual property rights. Moreover, NAFTA was the first trade agreement to explicitly include environmental provisions. A side agreement–the North American Agreement on Environmental Cooperation–was developed to further address those concerns. ■

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